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E.O. 12958: N/A

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SUBJECT: Efforts on Sanshui Port Closure Stymied, but Re-opening  
Promised by FAO

(U) This document is sensitive but unclassified.

11. (U) Summary: Members of an American Pyrotechnic Association (APA) delegation, the firework industry's main lobby group, told Congenoffs January 26 that the November 1 closure of Guangdong's Sanshui port, which handles approximately 60 percent of all fireworks shipments to the United States, continues to wreak havoc in the U.S. industry. Following numerous inquiries by the Consulate on behalf of the APA - and a refusal by local officials to meet the issue - a Guangdong Foreign Affairs Office official told Congenoffs that the Sanshui port should re-open in the near term, thus avoiding any market damage. End summary.

#### Background

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12. (U) On November 1, the Sanshui Port in Guangdong's Foshan city, closed all shipments from the port, reportedly due to failed inspections and multiple accidents (none were fireworks-related) in 12006. The Sanshui port handles about 400-500 containers of fireworks per week (approximately 60 percent of China's fireworks exports). U.S. fireworks-procurement companies have been scrambling to deal with the issue, as they may have had only one week's prior notice of the Chinese decision. Currently there are only two functioning ports that can handle fireworks shipments, Guangzhou's Nansha Terminal (with capacity of about 80-100 containers) and a port in Shanghai, which has even lower capacity. The APA is concerned that if fireworks shipments do not increase by March 1, their supply will be significantly harmed around the July 4 season. Firework production has not ceased production, thus Sanshui port has been forced to fill surrounding warehouses with thousands of containers of explosive fireworks, leading to a possible safety risk.

#### Consulate Efforts on Behalf of APA

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13. (U) Prior to arrival in Guangzhou, the American Pyrotechnic Association (APA) group - four representatives, including APA President Stephen Frantz and Executive Director Julie Heckman - had held meetings about the Sanshui port closure with officials in Beijing and in Liuyang and Changsha (both in Hunan province). Liuyang, the historic birthplace of fireworks, is presently home to most of the world's fireworks manufacturing.

14. (U) Throughout December the Consulate's Economic/Political section (as well as Foreign Commercial Service) staff made many

attempts to arrange meetings for the APA with the Sanshui port authorities and Foshan government officials, all of which were refused. On January 11, the Consulate sent a dipnote to the Guangdong FAO requesting a meeting with the Vice Governor, which was also refused. Finally on January 24, the Foshan government declined a meeting request because the issue was deemed a matter of "internal affairs."

¶15. (U) On January 25, Consular Section Chief and Congenoff held an emergency meeting with Guangdong FAO Deputy Director Luo Jun, and requested meetings with Sanshui and Foshan authorities. Congenoffs noted that the Sanshui Port closure affected U.S. and Chinese companies, with annual shipments totaling over \$179 million. Congenoffs also highlighted U.S. congressional interest. On January 26, Luo told Congenoffs he could not arrange any meetings, but he noted that an announcement would be forthcoming on an undisclosed date regarding the reopening of Sanshui Port and that all Fourth of July orders would arrive in time.

APA Meeting: Moving Forward  
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¶16. (SBU) On January 26, APA representatives told Congenoffs that in the past 40 years, there has never been a single fireworks shipping accident related to U.S.-bound fireworks. Moreover, for 15 years, the fireworks business has had a rather smooth development in China. APA President Frantz said that three fireworks-related explosions, widely reported in the media, had created a "crisis situation" for the industry. Two of the explosions occurred on ocean-going vessels with Europe-bound cargo and one occurred at Hunan's Changsha port involving unpackaged fireworks. One of the shipping accidents involved a vessel owned by the Korean firm Hyundai, which sends about 75 percent of all fireworks products to the United States. In reaction to the explosion, Hyundai ceased all fireworks shipment.

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Additionally, the Changsha port explosion was related to unpackaged fireworks materials that were improperly labeled.

¶17. (SBU) As a result, the APA group came to China focusing on three issues: shipping, ports and classifications. Frantz said that the number of shipping companies handling fireworks cargo had dwindled. Ports such as Sanshui have closed or limited fireworks shipments. Factory workers such as those in Liuyang have been poorly trained in properly labeling fireworks for shipment.

¶18. (SBU) Congenoffs promised to continue pursuing the issue and explained that the Sanshui port closure was not related directly to fireworks, but instead to a history of accidents, failed inspections and rampant smuggling. Congenoffs encouraged the APA to support information exchanges between Chinese safety authorities and their U.S. counterparts in order to build better trust and to share best practice methods.

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